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C O N F I D E N T I A L SECTION 01 OF 02 SINGAPORE 001781

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E.O. 12958: DECL: 09/26/2017
TAGS: [ETRD](#) [PREL](#) [ECON](#) [SN](#)
SUBJECT: GOS DISCUSSES REGIONAL, DOMESTIC ISSUES WITH
US-ASEAN BUSINESS COUNCIL

REF: A. SINGAPORE 1751

[1](#)B. SINGAPORE 1377

Classified By: Ambassador Patricia Herbold for reasons 1.4(b) and (d)

[1](#)1. (C) Summary: A U.S.-ASEAN Business Council (US-ABC) delegation, joined by the Ambassador, had separate meetings with Prime Minister Lee Hsien Loong, Senior Minister Goh Chok Tong, Minister of National Development Mah Bow Tan, and Minister of Defense Teo Chee Hean on September 20 and 21. Singapore's senior leadership discussed regional politics, domestic real estate prices, population growth, and security issues in the meetings. Officials said that Burma's regime is problematic but beyond influence. Indonesia's central government is still facing challenges, and Malaysian affirmative action policies are hampering the Iskander Development Region project in neighboring Johore. Singapore's real estate boom will run its course within five years without government interference, officials claimed. Reported plans to increase the population had been taken out of context, and Singapore will not grow to the widely-quoted 6.5 million figure for 40-50 years. U.S.-Singapore military relations are strong, but the United States needs to remain engaged in the region. End summary.

Senior Minister Goh on Burma, Indonesia, and Malaysia

[1](#)2. (C) Senior Minister Goh said Burma's regime is beyond any influence but should not be isolated. (PM Lee's similar comments on Burma were repeated Ref A.) Regarding Indonesia, Goh said the country's system of checks and balances involves "too many checks." Some would say President Yudhoyono is indecisive, but Goh prefers to describe him as "cautious." If Vice President Kalla became Indonesia's leader he could "get things done." Indonesia needs two more elections before its democratic system will be firmly in place, Goh said. Decentralization makes it difficult for the central government to produce results. Another problem Indonesia faces is the increasing demand for Sharia law. On Singapore's ties with Indonesia, Goh said the Singapore-Indonesia extradition treaty is hung up over political complexities involving the Defense Cooperation Agreement (Ref B). Indonesians had unrealistic expectations that signing the extradition treaty would produce a flood of ill-gotten gains coming back to Indonesia. Singapore courts, not just Indonesian courts, have to determine whether the gains are indeed ill-gotten before the funds will to be sent back to Indonesia, Goh stated.

[1](#)3. (C) Regarding Malaysia's Iskandar Development Region project, which would be situated in the state of Johore across the causeway with Singapore, Goh said he is not very hopeful. The outdated 30-percent Bumiputera equity requirements will hold back the project, he stated.

Minister Mah on Real Estate Prices and Schools...

14. (C) Responding to the "lifestyle" concerns of foreign businesses in Singapore, Minister of National Development Mah Bow Tan told the delegation and Ambassador that the GOS will not interfere with the overheated real estate market via legislation. The recent imbalance is temporary, he claimed, and will naturally correct in the next 2-3 years. Mah predicted an oversupply of commercial space by 2011 will drive down rents. Specifically, 1 million square meters of new commercial space is in the pipeline, while peak demand has never exceeded 200,000 square meters per year. The GOS is trying to publicize this information, but the market is not paying attention. In the meantime, the GOS is working to create temporary space in unused government buildings as well as make available new land for construction projects. Mah pointed out that plenty of space is available outside the Central Business District, especially in industrial parks. A great deal of new residential space is also due to come online in the next few years, he said. Regarding schooling, Mah said Singapore needs 2-3 new "expat-friendly" schools, which would take years to complete. In the meantime, the Economic Development Board is working with institution like the Singapore American School to create temporary solutions while new schools are being planned. (Note: In his meeting, Senior Minister Goh promised that within a year there will be a solution to the problem of lack of space in international schools that has been troubling the American business community. End note.)

...And Population Growth and Sand Supply Concerns

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15. (C) Mah clarified that, in spite of press reports, a Singapore population of 6.5 million is not a target but rather the "maximum number" of people Singapore could support while maintaining the "current quality of life." In any case, he said that it will be 40-50 years before Singapore's population reached that level. In the near term, the GOS is planning for a population of closer to five million. About half of this figure will comprise immigrants, mainly from China and India. Regarding the increase in cost of construction materials since Indonesia imposed a ban on sand exports to Singapore in January, Mah argued that Singapore has huge stockpiles of sand and supply has never been an issue. The ban caused sand prices to rise slightly, but that was the extent of the problem.

Minister Teo Encourages U.S. Engagement with ASEAN...

16. (C) The United States plays a particularly important role in regional security, Defense Minister Teo told the delegation. It should remain engaged as ASEAN nations develop a security architecture that will eventually include China, India, Korea, Japan, Australia, and New Zealand. Singapore is trying to convince other ASEAN members that free trade benefits everyone, so it is important for the United States to also lend economic and political support as ASEAN builds its "identity," he said. In response to a question, Teo did not preclude the possibility of ASEAN one day forming a security force, and said that the group currently cooperates well on humanitarian issues.

... And Praises Our Bilateral Military Relationship

17. (C) Teo stated that the bilateral military relationship is strong, especially in the area of personnel training, which reduces the amount of time necessary to prepare for deployments. Hardware interoperability is also very good, but needs to improve moving forward, he said.

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